

REMARKS

In the Office Action, claims 1-8 were rejected under 35 U.S.C. 103 as being unpatentable over Wohlstadter (US 2002/0198833) in view of Chaganti (US 2005/0080705) and Sugahara (US 7,310,616) for reasons set forth in the Action. Claim 9 was rejected under 35 U.S.C. 103 as being unpatentable over Wohlstadter in view of Chaganti, Sugahara, and Earle (US 5,262,942), and claims 10-11 were rejected under 35 U.S.C. 103 as being unpatentable over Wohlstadter in view of Chaganti, Sugahara, and Wallman (US 6,601,044) for reasons set forth in the Action.

The examiner (in the rejection of claim 1, page 3 of the Action) refers to Wohlstadter paragraph [0044] to teach that a share constitutes a set of rights (full or partial ownership). But Wohlstadter does not teach the combination of three basic elements of the subject matter of claim 1 that recites – (1) acquiring shares of ownership in a property, wherein each of the shares constitutes a set of rights – followed by a recitation of – (2) dividing the set of rights into portions, each of the portions having at least one of the rights, followed by yet a further recitation of – (3) establishing a market in the portions.

With respect to the first element, the Wohlstadter passage [0044] teaches the giving of a benefit to the entity that issued the security being traded, that the benefit could be full or partial ownership rights and, by way of example, mentions voting rights. Similar terminology appears in [0095] cited by the examiner. Other benefits could be a fee, or an amount based on the spread between the ask price and the bid price [0042] by way of further example. Thus, Wohlstadter acknowledges that a share of a security can be composed of a plurality of rights, and that one might choose one or more of the plurality of rights to serve as the benefit.

With respect to the second element, the examiner states that the division of the set of rights into portions, is taught by Wohlstadter in [0041] as well as in the above-noted [0044 and 0095]. The passage [0041] gives examples of a security constituting a voting right or a bond, by way of example. There is no teaching in [0041] of a division of a set

of rights embodied in a security. Also, in [0041 and 0095] division is understood only by implication since there are examples given of a transfer of all ownership rights or partial ownership rights in a security.

With respect to the third element, the examiner states that the establishment of a market in the divided-out portions, is taught by Wohlstadter [0008-0012]. This position of the examiner is traversed respectfully. The teaching of Wohlstadter is the establishment, by an intermediary, of a transaction with a security, possibly in an “exchange”, wherein the terms are broadly defined.

There is no mention, suggestion, or teaching by Wohlstadter of the division of the set of rights embodied in a security into one or more of the rights, representing a fraction or portion of the rights embodied by the security, followed by the establishment of a market in the “fractional rights” (a term used in the present specification). With respect to the fractional rights, the only suggestion of Wohlstadter is that partial ownership rights in a security (such as a share of stock) can be extracted from one or more participants in a transaction of the security, and given over as a benefit to the entity that originally issued the security. Indeed, it is the basic teaching of the first sixty paragraphs of Wohlstadter that there is need to provide some form of benefit to the entity that originally issued the security because it appears to be unfair that the rest of the world makes money on every transaction involving the security, but that no benefit is received by the issuing entity. Among the numerous examples of possible benefits to the issuing entity, Wohlstadter mentions partial ownership rights in a security [0044]. He even mentions a right to buy other securities [0042] as an example of a benefit. However, it is not the intent of Wohlstadter nor the teaching of Wohlstadter to divide out ownership rights with the intent of establishing a market in the divided-out rights. The Wohlstadter theme of extraction of a benefit from a participant in a securities transaction is found also in the following thirty paragraphs [0061-0090]. It is emphasized that there is no suggestion of conducting a market in the benefit.

In the rejection of claim 1, the examiner acknowledges that Wohlstadter does not disclose the subject matter wherein a right may have a time limitation, and does not

disclose the subject matter wherein a holder of a portion is enabled to regain a divided-out right from an investor. The examiner relies on Chaganti (Abstract, and [0003, 0006, and 0025-0026] to disclose the subject matter wherein a right may have a time limitation, and relies on Sugahara (Abstract, and col. 4 at lines 13-16) to disclose the subject matter wherein a holder of a portion is enabled to regain a divided-out right. Chaganti describes a type of market place and, in the passages cited by the examiner, demonstrates cases in which a right may have a time limitation. Sugahara describes a type of market and, in the passages cited by the examiner (plus a further passage in col. 6 at lines 38-43, particularly line 39) teaches the structuring of a transaction between parties wherein one party is obligated to repurchase a security from another party.

However, the arrangement disclosed in Sugahara, wherein there is an obligation to purchase, clearly is not the arrangement disclosed in present claim 1 wherein there is a market in which people are able freely, without obligation, to buy and to sell fractional rights at a price determined by the dynamics of the market. As long as there is a market maintained by the administrator in claim 1, a person who sold off a fractional right can, at a later date, repurchase the fractional right such that, in the wording of the claim, "said repurchasing enabling a holder of one of said portions to regain a divided-out right from one of said investors". In view of the foregoing observation, the examiner's combining of Sugahara with Wohlstadter in the rejection of claim 1 is traversed.

Further, it is noted that the combination of the teachings of Chaganti and Sugahara with Wohlstadter do not provide the above-noted missing teaching of Wohlstadter, namely, the establishment of a market by an administrator (or by an intermediary to use Wohlstadter's wording) in a divided-out right. Therefore, it is urged that the present argument has shown that the art cited in the rejection of claim 1 does not teach the claimed subject matter. This argument is believed to overcome the rejection of claim 1, and of the claims depending from claim 1, so as to show the presence of allowable subject matter in these claims.

New independent claim 12 is presented for further definition of the invention. Claim 1 is amended to include, and claim 12 includes a statement about acquiring shares

of ownership in a property represented by a security and issued by a business enterprise, the shares of ownership being acquired by an administrator. Claim 1 is amended also to indicate which steps of the claimed subject matter are performed by the administrator. This is believed to clarify the claims by distinguishing between the role of the business enterprise that issues the share of stock or other security, and the role of the administrator in creating a new security based on a fractional right of the issued security, which new security trades in a market created by the administrator. Claim 8 is cancelled in view of the inclusion of its subject matter in claim 1. Claims 9-11, depending from claim 8, are amended to depend from claim 1 in view of the cancellation of claim 8.

With respect to the role of the administrator in creating the new security based on a fractional right of the issued security, it is noted that subsequent to the issuance of the security (such as a quantity of stock, for example) by the business entity to each of numerous holders of the security, the administrator has many choices of subjects for creation of a new security based on a fractional right of the issued security. As an example in the case of ownership of a corporation by numerous stockholders, the rights of ownership include ownership of future business in which the corporation might engage, if and when such an opportunity arises for the corporation. For example, a corporation presently in the farming business might acquire a semiconductor manufacturing facility that utilizes precious metals in the manufacture of semiconductor devices. The administrator realizes that the corporation may now be in the position to profit from trading in precious metals as a commodity needed for its semiconductor facility. The administrator acquires, on the open market, shares of the corporation, and then creates new securities representing fractional rights, namely: (1) a new share having all rights except for the right to receive profits from precious metal trading, if and when such profits develop, and (2) a new share having the right to receive the profits from the precious metal trading. Existing shareholders, as well as other members of the public, might be interested in trading in the two new securities on the market created by the administrator. The shares representing the right to receive profits from the precious metal trading might remain low in value for many months, until such time as a profit materializes, after which there might be significant value in these shares. In this way, an administrator can create new securities and a market for trading the new securities

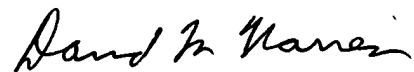
without any action being taken on the part of the business enterprise, such as the creation of a tracking stock by the business enterprise.

The foregoing example is presented to distinguish the activity of the administrator from other market makers presented in the art cited by the examiner. This example plus the foregoing argument for patentability of the claims are believed to distinguish the claimed subject matter from the teachings of the cited art so as to overcome the claim rejections and provide for allowable subject matter in the claims.

The foregoing amendment is believed to meet all the points raised by the Examiner so as to place the claims in condition for allowance. If any of the matters raised in the Action or any further matters have not been adequately resolved by this amendment, a telephone interview between Applicant's representative and the Examiner is requested in order to resolve any such outstanding matters.

It is believed that all the claims are now in condition for allowance in that they patently distinguish over the art. Accordingly, a favorable response indicating such condition is earnestly solicited.

Respectfully submitted,



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